



THE WHITE HOUSE
WASHINGTON

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CABINET AFFAIRS STAFFING MEMORANDUM

DDI-1629-82

DATE: 2/24/82 NUMBER: 050166CA DUE BY: ---

SUBJECT: Cabinet Council on Economic Affairs -- Minutes

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Anderson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Gray	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Beal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	Mike Wheeler	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	Larry Kudlow	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Kass	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/McClaghry	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>

REMARKS: Attached for your information are the minutes of the February 11 meetings of the Cabinet Council on Economic Affairs.

RETURN TO: Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

February 11, 1982
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Baldrige, Donovan, Porter, Lyng, Jordan, Hormats, Leland, Mehle, Gray, Cicconi, Dederick, Bailey, Borsting, Frierson, Garrett, Hopkins, Hudson, Stanley, Bledsoe, Cribb, and Ms. McLaughlin.

1. Report of the Working Group on LDC Financial Problems

The Council reviewed two papers from the Working Group on LDC Financial Problems on "Debt Problems of LDCs and East European Countries" and "U.S. Debt Policy — The Role of Comparable Treatment."

Mr. Leland reported that the Working Group was examining both LDC and East European debt; noted that LDC debt had grown enormously in recent years and that it was concentrated in a few countries; and observed that there was growing concern about the proliferation of government guaranteed credit programs.

He also discussed the general misunderstanding of the Commodity Credit Corporation guarantees — they only cover at most the first six percent of interest payments. Thus, the lending institutions bear a portion of the risk. He also reviewed new credits for the U.S.S.R. from French government-controlled banks.

He also reviewed several issues that will require the Cabinet Council's attention in the coming months including:

1. The preferential treatment enjoyed by countries who do not participate in debt reschedulings;
2. The roles of international institutions in debt reschedulings;
3. The relationship between the U.S. government and U.S. banks with regard to loans to financially troubled LDCs; and
4. The phenomenon of private banks "pulling back" from loans to LDCs experiencing financial difficulties.

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Mr. Leland noted several difficulties associated with current Eastern European debt: the Romanian rescheduling request which the U.S. government has not agreed to; the problems the Yugoslavs are having in financing their debt; and the question of who possesses more leverage, the creditor or the debtor.

Mr. Hormats emphasized the need to distinguish between individual countries and the need to be sensitive to the confluence of political and economic interests; hence, the value in a case-by-case approach to addressing specific problems.

He also reviewed the French and Swedish financing of the Soviet pipeline with low interest loans roughly half the prevailing domestic rate, and recent Soviet corn purchases.

The Council discussed the policy guidelines outlined in the working group paper on comparable treatment.

Decision

The Cabinet Council approved adopting the following four policy guidelines:

1. Comparable treatment between private and official creditors should continue as an important element of U.S. policy on extending debt relief to foreign countries.
2. U.S. Government policy should aim toward "comparable" but not necessarily "identical" treatment for official and private creditors. In specific cases, the objectives and constraints for official and private creditors may properly differ. The term "comparable treatment" allows for needed flexibility in applying U.S. policy.
3. Comparable treatment does not necessarily require that commercial banks provide relief on interest payments when governments do so. The U.S. Government policy against involvement in the commercial judgments of private banks extends to debt relief decisions.
4. The U.S. Government recognizes the necessity, from time to time, of innovative approaches by official creditors for dealing with "prolonged debt crises." Comparable treatment may pose difficulties for innovations in these cases but it should remain as an objective.